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## Enel Board approves first half 2004 results

***Ebitda 5,349 million euro, +14.2%***  
***Net income 2,047 million euro, +70.6%***  
***Interim 2004 dividend payment of 0.33 euro per share***  
***from 25 November***

**Rome, 9 September 2004** – The Board of Enel Spa, chaired by Piero Gnudi, today approved the results for the first half of 2004.

### Key consolidated figures (euro millions):

	H1 2004	H1 2003	Change
Revenues	<b>16,948</b>	15,421	+9.9%
Ebitda (gross operating margin)	<b>5,349</b>	4,685	+14.2%
Ebit (operating income)	<b>3,047</b>	2,231	+36.6%
Net income	<b>2,047</b>	1,200	+70.6%
Net financial debt	<b>24,030*</b>	24,174**	-0.6%

\*on 30 June 2004; \*\*on 31 December 2003

### Key events

- Successful IPO of Terna; one billion shares placed (50% of share capital) for 1.7 billion euro.
- Agreement to sell group real estate for 1.4 billion euro reached in July, 2004.
- Agreement to acquire two Romanian electricity distribution companies (1,400,000 clients).
- Awarded management contract for a power plant (450 MW) in St. Petersburg.
- Agreement to acquire gas companies in Sicily and Campania (73,000 customers).
- Approval of bill for the restructuring of the energy sector (Marzano Law).
- Launch of the wholesale electricity pool and the activities of the Single Buyer (Acquirente Unico).

**Paolo Scaroni**, Enel's chief executive, said: "I am very pleased with Enel's first half results. The strategy we have implemented is delivering a significantly improved operating performance in each of our businesses. The Generation Division and the Sales, Infrastructure and Networks Division improved their operating results in a flat electricity market. Wind is meeting its growth targets."

### Consolidated results for the first half of 2004

*Figures for the first half of 2003 are not presented on a pro-forma basis as changes to the scope of consolidation between the two periods did not affect their comparability. The launch of the wholesale electricity pool and the activities of the Single Buyer (Acquirente Unico) resulted in higher revenues and higher costs of approximately 1.6 billion euro.*

**Revenues** for the first half of 2004 were 16,948 million euro, an increase of 9.9% compared with the same period in 2003.

**Ebitda** (gross operating margin) for the period rose to 5,349 million euro from 4,685 million euro for the first half of 2003, an increase of 14.2%. While all business areas saw growth, significant contributions came from Generation and Energy Management (+202 million euro), Sales, Infrastructure and Networks (+207 million euro) and Telecommunications (+334 million euro).

**Ebit** (operating income) was 3,047 million euro, an increase of 36.6% from 2,231 million euro in the first half of 2003. This was the result of an increase in Ebitda and reduced depreciation applied to the distribution and transmission networks following the extension of the assets' useful life.

**Net income** in the first half of 2004 totaled 2,099 million euro. Excluding minority interests, net income was 2,047 million euro, an increase of 70.6% from 1,200 million euro in the first half of 2003. The increase was due to an improvement in the operating income and gains from the disposal of 50% of Terna's share capital. Group net income, excluding extraordinary non-recurring items, rose 44% from 859 million euro in the first half of 2003 to 1,237 million euro.

**The consolidated balance sheet** on 30 June 2004 registered total shareholders' equity of 22,260 million euro (21,315 million euro at the end of 2003) and net financial debt of 24,030 million euro (24,174 million euro at the end of 2003). The **debt-to-equity** ratio at the end of the first half of 2004 stood at 1.08; it was 1.13 on 31 December 2003.

**Capital expenditure** in the first half of 2004 was 1,547 million euro, compared with 1,684 million euro in the first six months of 2003. Investment over the period, which was more than fully covered by amortization and depreciation, mainly regarded the ongoing conversion of power plants with the aim of shifting the fuel used towards a more efficient mix, in particular the starting of the Torre Valdaliga Nord conversion (Civitavecchia). Other investments included the digital meter project, the Telecommunications network and the completion of Terna's Brazilian network.

**Headcount** at the end of June 2004 stood at 63,023. At the end of 2003 the figure was 64,770. The balance between new hires and redundancies was a negative 954, while changes to the group's perimeter brought a reduction of 793.

*An analysis by business areas follows*

## PARENT COMPANY H1 2004 RESULTS

The parent company, Enel SpA, sets strategy at the group level and for subsidiaries, as well as coordinating their activities. As a result of contractual obligations, the Parent Company temporarily retains multi-year electricity import contracts. This energy is sold to Enel Distribuzione at prices established by the sector Authority until 31 March 2004 and was subsequently transferred to the Single Buyer, enforced by the Industry Ministry decree of 19 December 2003.

*In the first half, through the application of new regulations in corporate law and fiscal law, additional write-downs accounted for in prior statutory income statements for fiscal reasons only were reversed. As a consequence, first half income and shareholders equity, on 30 June 2004, include 2,241 million euro related to these changes to corporate and fiscal laws which had been applied until 31 December 2003 and were mainly connected to write-downs of equity investments effected in prior years in accordance with article 2426, paragraph 2, of the civil code, abrogated from 1 January 2004. The reversal has been reported as extraordinary gains for the period.*

Figures (euro millions):

	H1 2004	H1 2003	Change
Revenues	504	540	-6.7%
Ebit	86	105	-18.1%
Equity income	1,583	1,410	+12.3%
Extraordinary items	3,752	407	-
Net income	5,304	1,244	-

In the first half of 2004, Parent company **revenues** amounted to 504 million euro. The sale of electricity to Enel Distribuzione contributed 181 million euro, and sales to the Single Buyer 191 million euro. The overall decrease in revenues is due to lower electricity imports.

**Equity income** in the first half of 2004 was 1,583 million euro and refers to dividends distributed by subsidiaries on 2003 results, amounting to 1,838 million euro, while write-downs of equity investments totaled 255 million euro.

**Extraordinary items** totaled 3,752 million euro and included a 1,248 million euro capital gain from the public offering of 50% of the share capital of Terna, a 296 million euro capital gain stemming from the transfer of Enel.Net to Wind and a net 2,241 million euro from the above-mentioned reversal of fiscal items.

**Net income** in the first half of 2004 amounted to 5,304 million euro compared with 1,244 million euro in the first half of 2003. The increase also benefited from the net effect of new accounting rules introduced by the above-mentioned reform of corporate and tax laws (2,241 million euro) and from the capital gain of the Terna IPO.

The **balance sheet** on 30 June 2004 registered shareholders equity of 15,307 million euro (11,997 million euro on 31 December 2003). The 3,310 million euro increase is mainly due to the difference between net profit for the first half of 5,304 million euro and the 2,195 million euro in dividends distributed. Net financial debt on 30 June 2004 stood at 3,892 million euro, a decrease of 3,054 million euro compared with the end of 2003, mainly due to the sourcing of a total 2,900 million euro, arising from the 1,200 million euro capital reimbursement from Terna and the proceeds of the Terna IPO (1,700 million euro).

## BOARD APPROVES DISTRIBUTION OF INTERIM DIVIDEND FOR 2004

Given that the Parent Company registered a first half 2004 net profit of 5,304 million euro - which adjusted for the effects of the earlier mentioned changes to corporate and tax law amounts to 3,063 million euro – and in the light of the performance expected for the remainder of 2004, the Board decided to distribute an interim dividend for 2004 of 0.33 euro per share, as already announced.

The auditor KPMG released its favorable opinion on 8 September, 2004, in accordance with article 2433-bis of the civil code.

The interim dividend – gross of withholding tax, if any - will be paid from 25 November 2004, with the ex-dividend date of coupon no. 4 falling on 22 November 2004.

*At 10 am (Rome time) tomorrow, 10 September 2004, at Enel's Auditorium, Viale Regina Margherita 125, Rome, Enel will present the first half 2004 results and an update on the progress of the industrial plan to analysts and institutional investors. The presentation will be followed by a press conference.*

*Documents relating to the presentation will be available on Enel's website in the investor relations section from the beginning of the event.*

*The reclassified income statement and balance sheet for the Enel Group and the Parent Company, Enel Spa, follow. These tables and related notes have been delivered to the board of statutory auditors and the external auditors for their evaluation.*

## RESULTS BY DIVISION

### Generation and Energy Management

Figures (euro millions):

	H1 2004	H1 2003	Change
Revenues	6,029	6,193	-2.6%
Ebitda	2,007	1,805	+11.2%
Ebit	1,399	1,175	+19.1%
Capex	376	286	+31.5%

The Division's **revenues in Italy** amounted to 5,754 million euro, with a decrease of 203 million euro from the first half of 2003, while **Ebitda** rose by 11.3% to 1,905 million euro and **Ebit** was 1,372 million euro (+19.3%). This was due to an improved fuel mix, increased hydroelectric generation, and activities related to ancillary services linked to the launch of the wholesale electricity pool which more than offset the decline in volumes of net thermoelectric generation output.

Investments in power plants in Italy rose to 280 million euro (+26.1%). In the thermoelectric area they were mainly linked to the conversion to coal of the Torre Valdaliga Nord plant, while in the hydroelectric area they were connected to the repair and re-powering of a number of plants.

### **Enel net electricity generation in Italy**

Millions of kWh

	H1 2004		H1 2003		Change	
Thermoelectric	43,951	71.2%	49,130	74.3%	(5,179)	-10.5%
Hydroelectric	15,098	24.4%	14,439	21.8%	659	4.6%
Geothermal	2,587	4.2%	2,495	3.8%	92	3.7%
Other sources	108	0.2%	33	0.1%	75	227.3%
<b>TOTAL</b>	<b>61,774</b>	<b>100.0%</b>	<b>66,097</b>	<b>100.0%</b>	<b>(4,353)</b>	<b>-6.6%</b>

**International activities** produced **revenues** of 275 million euro, an increase of 16.5% compared with the same period a year earlier. The increase came from Enel Union Fenosa Renovables (acquired at the end of December 2003) and Maritza, the company which controls a plant in Bulgaria (consolidated from 1 April 2003). Net generation outside Italy in the first half of 2004 totaled 5.5 TWh. **Ebitda** rose to 102 million euro (+8.5%) and **Ebit** rose to 27 million euro (+8%).

First half investment in power plants amounted to 88 million euro, with the launch of modernization and environmental improvement programs at Maritza accounting for 58 million euro.

## Sales, Infrastructure and Networks

Figures (euro millions):

	H1 2004	H1 2003	Change
Revenues	9,986	10,244	-2.5%
Ebitda	1,958	1,751	+11.8%
Ebit	1,515	1,071	+41.5%
Capex	758	821	-7.7%

### Electricity

Electricity **revenues** for the Sales, Infrastructure and Networks Division in **Italy** totaled 8,973 million euro, a decline of 366 million euro from the first half of 2003. This decline is linked to lower sales to other distributors as a consequence of the full operation of the Single Buyer. **Ebitda** was 1,758 million euro in the first half, an increase of 182 million euro (+11.5%) compared with the first half of 2003 as a consequence of reductions in operating costs and the recouping of electricity sold but not billed in 2003. Together, these components more than offset the effect of lower tariffs in the first half. **Ebit** in the first half of 2004 totaled 1,399 million euro with an increase of 417 million euro compared with the same period in 2003 (+42.5%), reflecting lower depreciation following the redefinition of the useful life of the assets.

The roll-out of the digital meter project continued with 3.9 million new meters installed over the period, bringing the total installed to 17.3 million. At the program's completion, approximately 30 million new meters will be installed.

**Revenues** from operations **outside Italy** in the first half of 2004 amounted to 210 million euro, an increase of 49 million euro (+30.4%) compared with the same period in 2003. This was essentially due to the increase in volumes. **Ebitda** amounted to 33 million euro, an increase of 1 million euro compared with the first half of 2003, while **Ebit** was 18 million euro, with an increase of 3 million euro compared with the same period in 2003.

### Gas

**Revenues** from the Gas business in the first half of 2004 were 803 million euro (+7.9%). Volumes sold rose from 2,454 million cubic meters in the first half of 2003 to 3,003 million cubic meters in the first half of 2004 (+22.4%). As of June, 2004, the number of customers served stood at approximately 1,856,000 spread over the entire country. First half **Ebitda** came to 167 million euro with an increase of 24 million euro (+16.8%) compared with the same period in 2003, benefiting from the increase in volumes sold and transported, as well as savings on fuel supply costs. **Ebit** was 98 million euro (+32.4%).

### Transmission Networks (Terna)

Figures (euro millions):

	H1 2004	H1 2003	Change
Revenues	519	450	+15.3%
Ebitda	347	306	+13.4%
Ebit	252	175	+44.0%
Capex	137	173	-20.8%

In the first half of 2004, Enel concluded the flotation of 50% of Terna's share capital on the Milan stock exchange. Before the flotation, in accordance with the shareholders' decision of 28 January 2004, Terna reduced its share capital from 2,036 million euro to 440 million euro, with the aim of optimizing the company's financial structure.

**Revenues** in the first half of 2004 totaled 519 million euro, an increase of 69 million euro (+15.3%) compared with the first half of 2003. This was mainly due to the start of operation of the Brazilian transmission lines and the adjustment of tariffs for the new 2004-2007 regulatory period as decided by the sector authority. **Ebitda** was 347 million euro, with an increase of 41 million euro (+13.4%) compared with the first half of 2003. **Ebit** totaled 252 million euro, an increase of 77 million euro (+44%) as a result of the 48 million euro reduction in depreciation following the redefinition, at the end of 2003, of the assets' useful life (in the first half of 2003 these assets were still depreciated at the higher rates).

### Telecommunications (Wind)

Figures (euro millions):

	H1 2004	H1 2003	Change
Revenues	2,408	2,123	+13.4%
Ebitda	814	480	+69.6%
Ebit	(209)	(396)	+47.2%
Capex	230	348	-33.9%

Wind's operating results continue to register strong growth. The increase in **revenues** (+13.4%), the reduction in operating costs as a consequence of the restructuring and reorganization started at the end of 2003 and the definition of the new turnover contribution (194 million euro) all resulted in a significant increase in **Ebitda** (+69.6%).

Total **revenues** rose 13.4% from 2,123 million euro in the first half of 2003 to 2,408 million euro in the first half of 2004. Mobile revenues totaled 1,181 million euro, an increase of 147 million euro (+14.2%) from the first half of 2003. Fixed-line and Internet revenues in Italy were 751 million euro (-7.4%) in the first half of 2004. Activities in Greece (Tellas) posted total revenues of 54 million euro, an increase of 43 million euro. Other revenues – including the turnover contribution, extraordinary items, intra-group revenues and terminal sales – amounted to 422 million euro.

In mobile sector, Wind increased its market share to 18.5%, from 17.3% at the end of 2003, with approximately 10.6 million Sim cards (9.6 million euro at the end of 2003).

In fixed-line sector, Wind had 2.6 million active customers at the end of June, representing approximately 10% of the market.

In Internet access, Wind confirmed its position as market leader with 16.4 million registered customers, an increase of 7.9% from 15.2 million at the end of 2003, with approximately 3 million active users. Broadband Internet access services saw a significant increase in customer numbers which stood at 223,000 at the end of June, up from approximately 141,000 at the end of 2003 (+58.2%).

Excluding the incumbent, Wind has the most extensive national fiber optic network with over 18,200 kilometers of backbone. Further, Wind continued to plan and build its urban fiber optic network which, at the end of June, covered 2,300 kilometers. This will enable Wind to supply large capacity and high performance voice, data and Internet access services, as well as optimizing interconnection costs.

In the first half of 2004, Wind also continued to develop its UMTS access network with coverage of many cities.



### Services and Other activities

Figures (euro millions):

	H1 2004	H1 2003	Changes
Revenues	1,004	1,259	-20.3%
Ebitda	182	256	-28.9%
Ebit	60	134	-55.2%
Capex	46	56	-17.9%

The purpose of this Division is to ensure competitive services to all other Enel operating divisions and simultaneously optimize its activities on the third parties market. In the first quarter of 2004, the fiber optic telecommunications network (Enel.Net) was transferred to Wind and the relative values were included in Telecommunications from 1 January 2004. Enelpower, the group's engineering company, posted revenues of 583 million euro in the first half, a decrease of 154 million euro (20.9%), mainly due to the nearing completion of foreign contracts.

## Consolidated Income Statement

In millions of euro	1st Half					
	2004		2003		Change	
		(%)		(%)		(%)
<b>Revenues:</b>						
- Electricity sales and Electricity Equalization Fund contributions	11,685	68.9	9,984	64.7	1,701	17.0
- Telecommunication services	2,058	12.1	1,931	12.5	127	6.6
- Sale of gas to end-users	780	4.6	691	4.5	89	12.9
- Other services, sales and revenues	2,425	14.4	2,815	18.3	(390)	-13.9
<b>Total revenues</b>	<b>16,948</b>	<b>100.0</b>	<b>15,421</b>	<b>100.0</b>	<b>1,527</b>	<b>9.9</b>
<b>Operating costs:</b>						
- Personnel	1,646	9.7	1,744	11.3	(98)	-5.6
- Fuel consumed for thermal generation	1,599	9.5	1,912	12.4	(313)	-16.4
- Electricity purchased	4,106	24.2	2,492	16.2	1,614	64.8
- Interconnections and roaming	673	4.0	687	4.5	(14)	-2.0
- Services, leases and rentals	1,968	11.6	1,818	11.8	150	8.3
- Fuel for trading and gas for resale to end-users	1,051	6.2	1,318	8.5	(267)	-20.3
- Materials	647	3.8	755	4.9	(108)	-14.3
- Other costs	376	2.2	437	2.8	(61)	-14.0
- Capitalized expenses	(467)	-2.8	(427)	-2.8	(40)	9.4
<b>Total operating costs</b>	<b>11,599</b>	<b>68.4</b>	<b>10,736</b>	<b>69.6</b>	<b>863</b>	<b>8.0</b>
<b>GROSS OPERATING MARGIN</b>	<b>5,349</b>	<b>31.6</b>	<b>4,685</b>	<b>30.4</b>	<b>664</b>	<b>14.2</b>
<b>Depreciation, amortization and accruals:</b>						
- Depreciation and amortization	2,060	12.2	2,272	14.7	(212)	-9.3
- Accruals and write-downs	242	1.4	182	1.2	60	33.0
<b>Total depreciation, amortization and accruals</b>	<b>2,302</b>	<b>13.6</b>	<b>2,454</b>	<b>15.9</b>	<b>(152)</b>	<b>-6.2</b>
<b>OPERATING INCOME</b>	<b>3,047</b>	<b>18.0</b>	<b>2,231</b>	<b>14.5</b>	<b>816</b>	<b>36.6</b>
- Net financial income (expense)	(566)	-3.3	(568)	-3.7	2	0.4
- Equity income (expense)	(16)	-0.1	(4)	-	(12)	-
<b>INCOME BEFORE EXTRAORDINARY ITEMS AND TAXES</b>	<b>2,465</b>	<b>14.6</b>	<b>1,659</b>	<b>10.8</b>	<b>806</b>	<b>48.6</b>
- Extraordinary items	732	4.3	254	1.6	478	-
<b>INCOME BEFORE TAXES</b>	<b>3,197</b>	<b>18.9</b>	<b>1,913</b>	<b>12.4</b>	<b>1,284</b>	<b>67.1</b>
- Income taxes	1,098	6.5	794	5.1	304	38.3
<b>INCOME BEFORE MINORITY INTERESTS</b>	<b>2,099</b>	<b>12.4</b>	<b>1,119</b>	<b>7.3</b>	<b>980</b>	<b>87.6</b>
- Minority interests	(52)	-0.3	81	0.5	(133)	-
<b>GROUP NET INCOME</b>	<b>2,047</b>	<b>12.1</b>	<b>1,200</b>	<b>7.8</b>	<b>847</b>	<b>70.6</b>

## Consolidated Balance Sheet

In millions of euro

	at June 30, 2004	at Dec. 31, 2003	Change
Net fixed assets:			
- Tangible and intangible	50,215	50,731	(516)
- Financial	480	531	(51)
<b>Total</b>	<b>50,695</b>	<b>51,262</b>	<b>(567)</b>
Net current assets :			
- Trade receivables	8,150	6,991	1,159
- Inventories	4,404	4,211	193
- Other assets and net receivables from Electricity Equalization Fund	991	986	5
- Net tax receivables (payables)	513	(780)	1,293
- Trade payables	(6,280)	(5,835)	(445)
- Other liabilities	(7,754)	(7,627)	(127)
<b>Total</b>	<b>24</b>	<b>(2,054)</b>	<b>2,078</b>
<b>Gross capital employed</b>	<b>50,719</b>	<b>49,208</b>	<b>1,511</b>
Provisions:			
- Employee termination indemnity	(1,194)	(1,298)	104
- Retirement benefits	(457)	(462)	5
- Net deferred taxes	(1,578)	(476)	(1,102)
- Other provisions	(1,200)	(1,483)	283
<b>Total</b>	<b>(4,429)</b>	<b>(3,719)</b>	<b>(710)</b>
<b>Net capital employed</b>	<b>46,290</b>	<b>45,489</b>	<b>801</b>
Group Shareholders' Equity	21,165	21,124	41
Minority interests	1,095	191	904
<b>Total Shareholders' Equity</b>	<b>22,260</b>	<b>21,315</b>	<b>945</b>
<b>Net financial debt</b>	<b>24,030</b>	<b>24,174</b>	<b>(144)</b>
<b>TOTAL</b>	<b>46,290</b>	<b>45,489</b>	<b>801</b>

## Enel SpA

### Income statement

In millions of euro	1st Half		
	2004	2003	Change
<b>Revenues:</b>			
- Electricity sales	372	424	(52)
- Other revenues from Group companies	123	105	18
- Other revenues from third parties	9	11	(2)
<b>Totale revenues</b>	<b>504</b>	<b>540</b>	<b>(36)</b>
<b>Operating costs:</b>			
- Personnel	34	34	-
- Electricity purchased	285	306	(21)
- Services, leases and rentals	67	54	13
- Other costs	21	26	(5)
<b>Total operating costs</b>	<b>407</b>	<b>420</b>	<b>(13)</b>
<b>GROSS OPERATING MARGIN</b>	<b>97</b>	<b>120</b>	<b>(23)</b>
- Depreciation, amortization and accruals	11	15	(4)
<b>OPERATING INCOME</b>	<b>86</b>	<b>105</b>	<b>(19)</b>
- Equity income (expense)	1,583	1,410	173
- Net financial income (expense)	(128)	(111)	(17)
- Extraordinary items	3,752	407	3,345
<b>INCOME BEFORE TAXES</b>	<b>5,293</b>	<b>1,811</b>	<b>3,482</b>
- Income taxes	(11)	567	(578)
<b>NET INCOME</b>	<b>5,304</b>	<b>1,244</b>	<b>4,060</b>

## Enel SpA

### Balance Sheet

In millions of euro

	at June 30, 2004	at Dec. 31, 2003	Change
Net fixed assets:			
- Tangible and intangible	22	22	-
- Financial	18,848	17,778	1,070
<b>Total</b>	<b>18,870</b>	<b>17,800</b>	<b>1,070</b>
Net current assets:			
- Trade receivables	145	6	139
- Other assets and net receivables from Electricity Equalization Fund	1,134	1,085	49
- Net receivables from subsidiaries and associates	244	417	(173)
- Net tax receivables (payables)	(68)	328	(396)
- Trade payables	(272)	(290)	18
- Other liabilities	(288)	(275)	(13)
<b>Total</b>	<b>895</b>	<b>1,271</b>	<b>(376)</b>
<b>Gross capital employed</b>	<b>19,765</b>	<b>19,071</b>	<b>694</b>
Provisions	(566)	(128)	(438)
<b>Net capital employed</b>	<b>19,199</b>	<b>18,943</b>	<b>256</b>
Shareholders' Equity	15,307	11,997	3,310
Net financial debt	3,892	6,946	(3,054)
<b>Total</b>	<b>19,199</b>	<b>18,943</b>	<b>256</b>